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ON CONCERTED ACTION WITH THE MEMBER STATES IN THE FIELD OF ENTERPRISE POLICY

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REPORT ON CONCERTED ACTION WITH THE MEMBER STATES IN THE FIELD OF ENTERPRISE POLICY

SUMMARY

For a number of years the Member State authorities have been working with the Commission in a programme of Concerted Actions in the field of Enterprise Policy. This Report provides an account of the results of this work and the issues that it has raised. It draws attention to some of the central questions relating to the Member States' efforts to assist enterprises and explains how concrete examples of good practice have been highlighted.

A major conclusion is that there has been a significant convergence in the Member States' thinking on Enterprise Policy and in the practical aspects of policy implementation. The Report thus indicates a remarkable cross-fertilisation of ideas and points to ways of further enhancing this process.

The Concerted Actions have made use of a distinctive methodology based on identifying and promoting the exchange of best practice.

Inspired by Article 157 of the Treaty, they have addressed central issues in Enterprise policy: the simplification of the business environment, the provision of effective business support measures and the visibility and take-up by enterprises of the services provided. Furthermore, they have approached these issues from the standpoint of enterprises in different phases of their development: at the start-up phase, as they are growing and when they come to be transferred to new owners.

The first section of the Report gives an account of the original conception of the Concerted Actions, within the global approach to Enterprise policy established by the Integrated Programme. The rationale for the course of the subsequent developments is also provided.

The detailed activities and the concrete results are described in the following three sections.

The identification of specific action for regulatory and administrative reform to make it easier for enterprises to start-up led to the publication of the Commission Recommendation on Improving and Simplifying the Business Environment for Business Start-ups.

Similarly, analysis of measures to improve legislative and administrative provision for transferring an enterprise and to assist businesses that face this situation led to the Communication from the Commission on the Transfer of SMEs.

In the broader area of support measures, work with the Member States has identified a range of good practice in support of start-ups and is in the process of doing the same for growing enterprises. It is recognised that improvements are needed, both in the coherence of service provision and in the quality of the services offered.

Dissemination of these results is to be assisted by publications and through an electronic forum associated with a web site that invites active discussion of the good practice that has been identified. This is intended to stimulate a debate among the professionals that provide business support and to create an increasingly rigorous basis for characterising best practice in the area.

REPORT ON CONCERTED ACTION WITH THE MEMBER STATES IN THE FIELD OF ENTERPRISE POLICY

1. THE NATURE OF CONCERTED ACTION

1.1. Introduction

The widespread recognition of the significance of Small and Medium-sized Enterprises (SMEs) for the competitiveness, growth and employment potential of the European economy led the European Commission in 1994 to propose an Integrated Programme for SMEs and the Craft Sector¹. The aim of this Integrated Programme was to establish a global framework for all actions for the benefit of SMEs within the European Union, with a view to achieving closer co-ordination and partnership between all the parties involved in SME development.

The Integrated Programme was clearly inspired by the White Paper on Growth, Competitiveness & Employment², which made several references to working with the Member States in the area of SME policy and outlined the elements of an integrated approach.

After presenting a key SME policy paper³ to the 1995 Madrid European Council, the Commission developed a more ambitious policy for SMEs⁴, which elaborated on the proposals set out in the 1994 Communication and called for an integrated approach in which national, regional and local authorities, the social partners and the Community institutions would each take practical action to promote SMEs and hence growth and employment.

In proposing such an integrated approach to Enterprise policy, the Commission sought to bring together three previously distinct elements. These consisted of Community Enterprise policy in the strict sense, those elements of other Community policies (such as the Structural Funds, Research and Technological Development and Training) that had an impact on SMEs and certain aspects of Member States' Enterprise policy.

Reports on the first two elements are provided in the evaluation of the Multi-annual Programme for SMEs⁵ and in the Report on the co-ordination of activities to assist SMEs

¹ Integrated Programme in favour of SMEs and the Craft Sector, Communication from the Commission, COM(1994)207 final of 03.06.1994.

² "Growth, Competitiveness, Employment. The Challenges and Ways Forward into the 21st century" Commission White Paper 1993.

³ "Small and Medium sized Enterprises – A dynamic source of employment, growth and competitiveness in the European Union", Commission Communication of 29.11.1995, Document SEC(95) 2087.

⁴ Integrated Programme for Small and Medium-sized Enterprises and the Craft Sector, Communication from the Commission. COM(1996)329 final of 10.07.1996.

⁵ Final Report. Evaluation of 3rd Multi-annual Programme for SMEs, COM(1999)319 final of 29.06.1999.

and the craft sector⁶. It is the third element, **concerted action on enterprise policy between the Member States**, that is the focus of attention here.

This Report, therefore, provides an account by the Commission of the progress that has been made under the Concerted Actions. Member States have been consulted on this report, particularly through the members of the Concerted Action Steering Group. They have also been given the opportunity to make comments on earlier drafts of the document. However, as is normally the case, the responsibility for the nature and content of the Report rests with the Commission.

1.2. The Framework for Concerted Actions

Concerted action is inspired by Article 157 paragraph 2 of the Treaty (ex-article 130-2), which in the context of promoting the competitiveness of the Community's industry, states that **'the Member States shall consult each other in liaison with the Commission and, where necessary, shall co-ordinate their action'**. It continues: **'the Commission may take any useful initiative to promote such co-ordination.'**

Several Council Resolutions have supported the proposed method of 'concerted action'⁷.

The basic concept of this concerted action was that, in the interests of promoting competitiveness, the Member States, with the assistance of the Commission, would achieve a greater effectiveness in their actions, in particular through a better targeting and convergence of policy measures in the classic areas of Enterprise policy, namely the improvement of the legislative and administrative environment for businesses and the provision of support measures. This was to be achieved by a distinctive approach, based on **identifying and promoting the exchange of best practice**.

The methods envisaged in this process were the organisation of large-scale fora, to encourage contributions from a wide range of organisations and individuals with a knowledge of the area under consideration, along with meetings of committees made up of Member State and business representatives. Working groups from these committees could conduct detailed work and benchmarking was suggested as a means of developing common criteria which in turn could lead, where appropriate, to Recommendations from the Commission.

The 1994 Integrated Programme envisaged concerted action relating to the three different stages of a business life cycle in three broad policy areas. The policy areas, which came to be known as Concerted Actions 1, 2 and 3 respectively, were: **improving the business**

⁶ "Report on the co-ordination of activities to assist SMEs and the craft sector" COM(1997)610 final, 25.11.1997.

⁷ Council Resolution on strengthening the competitiveness of enterprises, in particular SMEs and craft enterprises, and developing employment of 22nd November 1993; OJ C 326, 03.12.93, p. 1.
Council Resolution on giving full scope to the dynamism and innovatory potential of SMEs, including the craft sector and micro-enterprises, in a competitive economy of 10th October 1994, OJ C 294, 22.10.94, p. 4.

Council Resolution on the co-ordination of Community activities in favour of SMEs and the craft sector of 22nd April 1996, OJ C 130, 03.05.96, p. 1.

Council Resolution on realising the full potential of SMEs, including micro-enterprises and the craft sector, through an integrated approach to improving the business environment and stimulating business support measures of 9th December 1996, OJ C 18, 17.01.97, p. 1.

environment, stimulating business support measures and increasing the profile of support services. The life cycle stages identified were: **start-up and early development**, the **growth phase** and the **transfer** of a business to the next generation.

The 1996 Integrated Programme proposed developing the existing framework through more focused action on specific policy areas:

- better access to finance and capital markets
- administrative co-operation – particularly in the context of the Single Market
- business services (including in the field of innovation)
- SME actions in the field of research
- access of SMEs to the Information Society
- training for SMEs
- entrepreneurship
- craft and small enterprises
- commerce

In the event, the initial framework proved to be very robust and provided the basis for a systematic examination of the issues outlined in the subsequent document.

The two versions of the Integrated Programme, therefore, determined the basic shape of the course of the Concerted Actions. As the programme unfolded, however, other important policy developments also had an influence on the nature and scope of the activities undertaken. Perhaps the most important of these arose from the establishment of the Business Environment Simplification Task Force (BEST), at the invitation of the Amsterdam European Council on 16 –17th June 1997.

The BEST Report⁸ was presented to the Cardiff European Council in June 1998. In making a series of recommendations, based on an examination of ideas and practices from across Europe, issues were addressed at both a European and a Member State level. It is not surprising, therefore, that the BEST Report has relied to a large degree on the results of concerted action, especially in relation to the business environment. Moreover, BEST's follow-up will be closely related to the process of concerted action. As will be seen, the continuing Concerted Action programme has already been able to identify concrete cases of the good practices that BEST advocates and also specific aspects of concerted action have a place in the action programme to follow-up the Report⁹.

1.3. The Instruments of Concerted Action

The early conception of the process of concerted action put a great deal of stress on the promotion of an exchange of ideas and best practice through the organisation of large-scale Fora. The idea was that a Forum, usually staged as a Presidency conference with 300–400 participants, would bring together political leaders, business organisations, experts and practitioners in the area to be addressed. Through a structured series of

⁸ European Communities (1998). "Report of the Business Environment Simplification Task Force" Office for Official Publications of the European Communities, Luxembourg. ISBN 92-828-3418-2

⁹ Communication from the Commission "Promoting Entrepreneurship and Competitiveness" COM(1998)550 final of 30.09.1998.
Action Plan to Promote Entrepreneurship and Competitiveness, conclusions of the Industry Council of 29.04.99.

debates and more detailed examination in workshops, the issues could be clarified, common problems identified and cases of good practice examined. This instrument has indeed provided the basis for all the work that has been conducted under the Concerted Actions. However, in view of the range of the issues inevitably raised by the large number of participants with such varied experience, it has been necessary in every case for a Forum to be followed up by some other action designed to achieve a more focused examination of the questions initially raised at the Forum. These actions have been of different kinds, depending on the extent and nature of the subject matter to be considered, but they have all had the aim of building on the debate at the corresponding initial Forum.

The programme of Fora and seminars relating to each of the phases of business development for each of the three Concerted Actions proposed in the Integrated Programme is set out below:

Fora:

Paris	June '95	Improving the Business Environment	Start-up Phase
Madrid	Nov '95	Support Measures for Enterprises	Start-up Phase
Dublin	Nov '96	The Visibility & Effectiveness of Support Services	All phases
Lille	Feb '97	All three actions	Transfer Phase
Baden	Sept '98	Support Measures for Enterprises	Growth Phase
Helsinki	Sept '99	Rapid Growth and Competitiveness through Technology	Growth Phase

Seminars :

Rome	Jan '98	Quality Services for Enterprises	All Phases
Stockholm	May '98	Training for New Starters	Start-up Phase
Madrid	June '98	Finance for New starters	Start-up Phase
Helsinki	Nov '98	Incubators & Innovation Support	Start-up Phase
Paris	Feb '99	Use of the Internet	Growth Phase
Copenhagen	Nov '99	Market and Export Support in a Globalised Economy	Growth Phase
Athens	Feb 2000	Strategic Services for SMEs	Growth Phase

Annex 1 sets out this information in a table showing the three Concerted Actions against the three phases of the lifecycle. In the cases of the Dublin and Lille Fora, more than one cell of the matrix was addressed in the same Forum.

Follow-up, in the case of the first Forum on Improving the Business Environment for Enterprises in the Start-up Phase, organised by the French authorities in conjunction with the Commission in Paris in June 1995, was achieved through a representative committee, known as the **'Group on Improving and Simplifying the Business Environment'**. This held a number of meetings following the Paris Forum eventually giving rise, as will be more fully explained below, to the Commission Recommendation on Improving the

Business Environment for Start-ups¹⁰. Similarly, detailed follow-up work to the Lille Forum of February 1997 involved contributions from representatives of Member State business organisations helping to shape the Communication on the Transfer of Business¹¹.

In the case of the Fora held to examine issues relating to Support Measures for Enterprises, such as those in Madrid in November 1995, which considered initiatives in the start-up phase and in Baden bei Wien in September 1998, which was concerned with measures aimed at growing enterprises, a different approach was required.

A Steering Group of representatives from the Member States, along with those of the European business organisations, has been responsible for the follow-up work. However, this Group, which has met at least twice a year, has mainly had a supervisory, planning and co-ordinating role. The detailed work has been conducted either in working sub-committees of the Steering Group or through a series of seminars jointly organised on each occasion by one of the Member States and the Commission.

These seminars have been more restricted than the Fora, involving only about 100 participants, but they have also been more focused, either going into greater depth on a particular topic or addressing specific issues that it had not been possible to include within the programme of the corresponding Forum.

The Steering Group has also been responsible for the follow-up work in the third area of concerted action, which concerns the visibility and take-up of support services. Again, a more detailed examination of issues identified at the Dublin Forum of December 1996 has been conducted through a seminar on quality and certification of support services and a working group with representatives of 6 Member States.

Finally, both the Commission and the Member States have undertaken various activities to improve information about and understanding of the issues addressed under the Concerted Actions and to **disseminate the results**. These include exercises to collect information on support measures and best practice, developing dissemination through the Internet and pursuing an analysis of specific issues raised by commissioning studies. Explanations of these supplementary measures are provided in the detailed accounts of the results of each of the Concerted Actions in the following sections of the Report.

It is important to bear in mind, however, the differences in the nature of the subject matter of each of the Concerted Actions and the consequent differences in the processes required both to identify best practice and to promote its adoption. These differences are the main explanation for the variations in the procedures used in the follow-up to the Concerted Action Fora.

The examination of the legislative and administrative environment primarily involves a relatively restricted number of regulations and practices, which are already fairly well documented. The aim in this case is largely to bring about a change in national regulations by the national authorities and it is to these authorities that proposals for change have to be addressed. With business support measures, the emphasis is more on the wide range of

¹⁰ Commission Recommendation on Improving and Simplifying the Business Environment for Business Start-ups, OJ L 145, of 05.06.97, p. 29.

¹¹ Communication from the Commission on the Transfer of SMEs, OJ C 93 of 28.03.98, p. 2.

operational practices on the ground, involving many different types of agency. The national authorities do have an important co-ordinating role and usually set in place the necessary legislative and operational framework, but it is other bodies that mostly deliver the policies. Frequently they have the right to undertake their own initiatives and will usually operate with a considerable freedom to adapt the national framework to local circumstances. Often therefore, measures, and in particular the details of services provided, are not very well documented. In fact there is not even agreement on the definition and typology of the activities concerned.

In bringing about changes and improvements, the national authorities clearly have an important role and can introduce institutional changes, offer guidance and provide financial incentives as well as implementing their own direct measures. But, at the end of the day, the **real changes have to be at an operational level**. They have to be adopted and implemented by the professionals working in many different types of agency. The processes both of identification of best practice and its dissemination have to be wider ranging than in the case of regulations and have to involve this broader audience.

1.4. The Nature of the Achievements of Concerted Action

The detailed results of the Concerted Action are presented below. The general nature of these results, however, should be outlined at this stage.

The identification of best practice is at the heart of concerted action. In the area of the administrative and legislative environment for enterprises, this process has led in one case to a Commission Recommendation¹² and in another to a Communication¹³. In contrast, the wide range of issues and practices addressed in the examination of support measures for enterprises has not yet led to such a formal conclusion. In all cases the work on Concerted Actions has identified specific practices which have been highlighted as worthy of consideration for more widespread adoption in the interests of creating a better general environment for enterprises.

The processes for achieving change on the basis of identified good practice are different in each of the three Concerted Actions. As has been indicated, differing audiences have to be addressed, ranging from the national authorities to the professionals in support agencies operating on the ground. These differences are important in that they lead to different dissemination strategies.

In this context, the inherent subtlety and flexibility of the concerted action approach becomes significant. The aim is to bring about change and improvement in the regulatory and institutional environment for enterprises, while at the same time fully respecting the principle of subsidiarity, allowing for the very diverse circumstances that define the local environment and encouraging a culture of positive emulation of European best practice rather than a reluctant response to external pressure. This general approach can be easily adapted to the differing circumstances of the different Concerted Actions, but it also requires that the ground is prepared adequately.

¹² Commission Recommendation on Improving and Simplifying the Business Environment for Business Start-ups, OJ L 145, of 05.06.97, p. 29.

¹³ Communication from the Commission on the Transfer of SMEs, OJ C 93 of 28.03.1998, p. 2.

It is significant that one of the generally acknowledged achievements of the Concerted Actions is that they have been able to contribute substantially to a debate at a European level and have helped to achieve a development of ideas and a convergence of opinion on the part of many of the key participants. On many of the central issues in Enterprise policy there is now a European consensus. This is a necessary pre-condition of the successful changes that are occurring at an operational level.

The following sections of the Report (sections 2 – 4) provide an account of the detailed results of each of the three Concerted Actions in turn.

2. CONCERTED ACTION 1 : IMPROVING THE BUSINESS ENVIRONMENT

2.1. Improving the Business Environment for Start-ups

2.1.1. The Paris Forum on Improving the Business Environment for Start-ups

The event which launched the Concerted Action programme was the Forum on Improving and Simplifying the Business Environment for Start-ups, held in Paris on 19-20 June 1995. It was organised jointly by the French Government and the Committee for Improving and Simplifying the Business Environment.

The Forum was attended by some 300 representatives of national administrations and the business community, and received high level political support from Member State governments. Naturally, with a conference of such a size there were many different contributions. However, the general tenor of the debate, and the good practice cited, provided inspiration for the follow-up work that was conducted primarily through the Committee. It is also of interest that the Forum provided considerable evidence to support the contention that SMEs in their start-up and early phases face particular and characteristic problems that need addressing directly.

A series of seminars and meetings of the Committee provided follow-up to the Forum, and allowed an examination of the issues raised in Paris in greater detail. In the course of these discussions, a number of themes emerged:

- the scope for removing administrative burdens through greater operational efficiency on the part of the public authorities. In many Member States, greater co-ordination between different public authorities could avoid such problems as multiple authorisations and duplicated requests for information. The lack of speed at which the authorities responded to requests for information and authorisations was also criticised;
- the impact of taxation and social security systems on SMEs; both in terms of the administrative burden, where the enterprise was effectively carrying out administration for the state, and in terms of impacts on cash flow -- particularly in the case of VAT;
- the room for more effective use of information technology; and
- the significantly different practice across the Member States in terms of the conditions that enterprises have to fulfil in order to be allowed to establish themselves in a variable list of (usually craft) occupations; these differences are related to differences in training arrangements in the Member States.

Many examples of good practice were identified: the French system of Centres de formalités d'entreprise provided an instance where establishing an enterprise had been made easier by allowing all the formalities to be completed in one location. Similarly, the progress made in France in the use of a single identification number for administrative purposes, was regarded as an interesting pointer for other administrations.

In the case of taxation, the measures adopted in the UK in the administration of VAT illustrated encouraging responses to certain critical issues. The steps taken to improve consultation and to engender a more responsive culture among officials were helping to make the system more sensitive to SME needs. The relatively high turnover threshold before registration was required and the relatively simple VAT return, provided potential

benchmarks for other systems to emulate. Finally, the Danish use of information technology in registration formalities and in filing annual accounts, provided encouragement for others who had already identified this as an issue.

The work of the expert group that was set up to examine the issues in greater depth culminated in the publication, on 22 April 1997, of the Commission Recommendation on Improving and Simplifying the Business Environment for Business Start-ups.¹⁴

The Recommendation initially notes that regulatory and administrative burdens stem mainly from the Member States' regulations, and that action is primarily required at a Member State's level. At this level, co-ordination is required, not only between central departments of government, but also between them and local authorities. France, Portugal and the UK have specific departments under the responsibility of the Prime Minister designed to achieve this co-ordination. Consequently, these have a better prospect of carrying through reforms than the advisory committees to be found elsewhere in the European Union. It, therefore, recommends the setting up of a specific department or unit at the appropriate level with authority to co-ordinate simplification policy and measures, along with the promotion of a more service-oriented attitude towards business on the part of officials through proper training and information.

A better assessment of the impact of new regulations is also called for; with the use of business impact assessments and cost-benefit analyses, where appropriate, in order to achieve a suitable balance between the objectives of regulations and the means employed. As far as the impact specifically on SMEs is concerned, the 'Think Small First' approach is recommended.

At a more detailed level, it is suggested that there is scope for considerable improvement in the procedures for starting up a business. A study is quoted¹⁵ that shows that the cost of formally launching a business varies considerably between EU Member States and also, of course, depends on the legal form taken. It could be as high as € 2 000.

In addressing this situation, it is proposed that the Member States:

- introduce a single business registration form;*
- set up single contact points where a single registration form can be deposited;*
- introduce a system whereby public authorities can recognise enterprises by a single identification number;*
- ensure that different government departments avoid introducing duplicated or superfluous forms and/or contact points;*
- allow businesses to reject a demand for information if this information is already held by another government department;*

¹⁴ Commission Recommendation on Improving and Simplifying the Business Environment for Business Start-ups, OJ L 145, of 05.06.97, p. 29.

¹⁵ Logotech "Etude comparative des dispositions légales et administratives nécessaires pour la formation des PME dans six pays de l'Union européenne", Paris 1995.

- *set clear targets in terms of deadlines for the processing of enterprises' requests and the granting of licenses or authorisations;*
- *introduce, where appropriate, a system whereby an application is deemed to have been automatically granted if the administration has not responded within the fixed deadline; and*
- *use information technology and databases as much as possible for the transmission and authentication of information submitted and/or the exchange of information between public authorities.*

The issue of authorisation was also addressed in an annex to the Recommendation, setting out seven basic principles for prompt action.

Measures were proposed to alleviate the constraints of a tax, social, environmental, and statistical nature during the early years of an enterprise's existence. They included suggestions relating to: improvements in the fiscal treatment of start-ups and those investing in them (specifically, 'Business Angels'); reductions in social security contributions; reporting requirements; statistical obligations; and obligations relating to the VAT system. Better co-ordination between taxation and social security systems was also mentioned.

2.1.2. Member State Action on the Environment for Start-ups

Member States report that there has been considerable movement on many of the issues highlighted in the Recommendation. In France, for instance, a national debate led to major reforms being announced on 3 December 1997¹⁶ involving some 37 measures of administrative simplification. Many of these reforms are very much in line with the Commission Recommendation. They include: speeding up the process of registration (see box 1), simplifying forms and reducing the amount of information required, improving co-ordination between public authorities and facilitating the submission of official documents by electronic means. A similar situation applies in the UK (see box 2).

¹⁶ "Premières mesures de simplification administrative pour les PME" presented by the Secretary of State to the Council of Ministers, 3rd December 1997.

Improving and Simplifying the Business Environment for Start-ups in France

In France there has been a radical simplification of procedures for start-ups.

‘Centres de formalités d’entreprises’ have been created to provide a single point of access for those wishing to start-up an enterprise.

The procedures involved have also been dramatically improved. There is now a single form to be completed for registration and this consists of one single page. There is also now a single identification number.

Electronic systems are increasingly making the process easier to handle and the formalities can now be completed within a day.

Information on progress with the programme of simplification measures is available on the Internet¹⁷.

The Danish authorities have carried the use of the Internet even further. On one site¹⁸, it is now possible to find all the forms required for reporting to the government. Many of these forms are interactive and can be used for directly submitting information to the government. Payments can also be made on-line. A single electronic access point has therefore been created. Pilot projects along similar lines are in operation in Finland.

In Austria, the direct influence of the Concerted Action is more clearly discernible. An active dissemination campaign followed the initial Forum, involving distribution of information about the issues raised to business organisations and public bodies and making it available on the Internet. Among many other developments, a central electronic business register has been created, the application of the ‘first-stop-shop’ principle is planned and smaller firms (<20 employees) are absolved from statistical and reporting requirements. In Sweden, the debates at the Paris Forum fed into national discussions, which in turn led to a range of measures including a project to introduce a single business registration form and a single contact point for registration. A regulatory impact unit, known as ‘Simplex’ conducts impact analysis on proposed legislation and works for reduced, fairer and more easily understood regulation. There is also an annual survey of SMEs that are in regular contact with the major public agencies, with a view to improving the interface between the administration and the business community.

Spain reports a very active dissemination process, making systematic use of the business organisations. At government level the Paris Forum helped to focus a reflection on the whole approach of the public administration towards SMEs, particularly as regards the burdensome nature of administrative procedures. There is now in operation a Plan for SME Competitiveness through Flexibility and Regulatory Simplification¹⁹ and the entry in operation of the Single Access Points²⁰ will reduce considerably the problems encountered

¹⁷ www.pme-commerce-artisanat.gouv.fr/chantiers/simp/index.htm

¹⁸ www.indberetning.dk

¹⁹ Plan de Agilización y Simplificación Normativa para la Competitividad de la PYME.

²⁰ Ventanillas Unicas Empresariales

by an entrepreneur at the moment of creating an enterprise. An unincorporated enterprise can be created in a single day and for companies the number of procedures has been cut from 17 to 15, while the time required for being established has been cut from 81 to 25 days.

Concerted Action 1

Box 2

Follow-up in the UK to the Recommendation on Improving and Simplifying the Business Environment for Start-ups

In June 1998, the Better Regulation Unit of the Cabinet Office in the United Kingdom (now known as the 'Regulatory Impact Unit') conducted a systematic review of the UK's response to the Commission's Recommendation on Improving and Simplifying the Business Environment for Start-ups. Each particular recommendation in turn was considered against current practice and the work programmes of the UK administration.

The review found that the UK was well on the way to meeting nearly all of the recommendations.

Since then the initial review progress has continued. For instance, in April 1999, a single organisation was formed to deal with tax and national insurance contributions. This will not only facilitate the processing of tax and insurance contributions from employees, but also enable a unified guidance and assistance service to be delivered.

In the interests of transparency and encouraging feedback, information on the work of the unit is available on a web site²¹.

In Belgium the approach has been to set up an agency for administrative simplification²² responsible to the Prime Minister. As well as having general responsibility for administrative simplification and for establishing a system for assessing the impact of regulation on SMEs, this agency also has the task of establishing an electronic system for completing formalities.

²¹ www.open.gov.uk/co/bru/bruhome.htm

²² Arrêté royal du 23 décembre 1998 relatif à L'Agence pour la simplification administrative (MB 08.01.99)

Improving and Simplifying the Business Environment for Start-ups in Portugal

In Portugal, the creation of the 'CFE Network' (Centro de Formalidades das Empresas) has been achieved after a considerable effort at co-ordination between a number of different government departments and agencies. The CFE network, launched in 1997, is a one-stop-shop for start-up formalities, available through 5 regional offices, (with 2 more planned). Replacing the previous need to visit 6 different locations, the time for registration has been reduced from 4-6 months to 2-3 weeks.

Other administrative procedures have been simplified and the number of official forms reduced. There are only 2 identification numbers. New information technology is being used to speed up procedures and a new culture of client-orientation has been introduced into the service.

The CFE Network has been a great success with a rapid increase in the number of files being processed. Although adapted to local circumstances, the inspiration of the French Centres de formalités d'entreprise is freely acknowledged.

2.2. The BEST Report

A further major external impulse for change in legislative and administrative provisions affecting enterprises has arisen out of the Report of the Business Environment Simplification Task Force²³. This Task Force was composed of experts from all of the Member States and was established by the Commission on the invitation of the Amsterdam European Council. It reviewed the situation facing enterprises across the European Union and made 19 major recommendations, supported by some 160 more detailed recommendations. Aspects both of the regulatory and administrative environment and of support measures for SMEs were covered in the Report. The BEST Report commented on the degree of consensus evident across Europe about what needs to be done to improve the situation faced by SMEs and, in fact, many of the issues highlighted by BEST coincided with those identified in Concerted Actions.

The work of BEST and its follow-up has been presented elsewhere²⁴. For present purposes, it is necessary to note the following. The BEST Report was well received by the Cardiff European Council and subsequently by the wider community of those involved in Enterprise policy. It therefore contributed to raising the profile of the issues that the Concerted Actions were intended to address. The follow-up to the BEST Report in the form of the Action Plan²⁵, endorsed by the Council on 29th April 1999, envisages a close involvement of the work on Concerted Actions in the broader programme of actions by the Member States and the Commission. The nature and quality of the work undertaken by BEST, however, has obviated, at least for the present, any need to hold a forum to address issues concerning the regulatory and administrative environment for growing enterprises. On the other hand, the Council Conclusions envisage regular reports on the

²³ European Communities (1998). Report of the Business Environment Simplification Task Force, Office for Official Publications of the European Communities, Luxembourg. ISBN 92-828-3418-2.

²⁴ Communication from the Commission "Promoting Entrepreneurship and Competitiveness", COM(1998)550 final of 30.09.1998.

²⁵ Action Plan to Promote Entrepreneurship and Competitiveness, conclusions of the Industry Council of 29.04.99.

implementation of the Action Plan, which will provide a major source of information on developments in this area.

2.3. The Transfer of Enterprises

2.3.1. The Lille Forum on the Transfer of Enterprises

The Forum held in Lille in February 1997 both addressed the regulatory and administrative environment in which enterprises can be transferred from one generation to the next and also considered certain support measures that assist business owners in this situation.

The Commission had already undertaken a certain amount of work on this problem and drawn attention to the estimated 1.5 million jobs that are at risk across Europe because of the problems of handing over the ownership of a business in circumstances such as the retirement of the original owner. This work had resulted in a Commission Recommendation in 1994.²⁶ The European Observatory on SMEs had provided further insight into the economic consequences of this phenomenon in its Report published in 1996²⁷.

There was further examination of these issues at Lille and the collection of information about progress in the Member States led to a Communication from the Commission²⁸ in which the following areas were highlighted:

- *legal matters affecting the transfer of businesses, including appropriate legal forms and procedures (to convert partnerships into limited companies and vice versa, a simplified public limited company), establishing the continuity of businesses as a legal principle and introducing simplified accounting procedures;*
- *taxation matters affecting the transfer of businesses, including reducing the impact of inheritance or gift taxes, double taxation and taxes on the conversion of companies and transfer of ownership to third parties or employees;*
- *support measures affecting the transfer of businesses, including better provision for this situation by financial institutions and business support organisations, particularly through better information and advice and, where appropriate, training.*

2.3.2. Member State Action on the Transfer of Enterprises

The Commission has noted considerable progress in this area since the Forum. It is an area where practices have diverged substantially between Member States and much has been learned by observing what happens elsewhere.

²⁶ Commission Recommendation on the Transfer of SMEs of 7th December 1994; OJ L 385 of 31.12.94, p. 14.

²⁷ The European Observatory on SMEs, Fourth Annual Report 1996, section 6, European Network for SME Research, Zoetermeer, the Netherlands.

²⁸ Communication from the Commission on the Transfer of SMEs, OJ C 93 of 28.03.1998, p. 2.

The Swedish National Board for Technical and Industrial Development (NUTEK), which took an active part in the Lille Forum, was also very active in organising a follow-up, initiating a widespread national debate among experts and business organisations. In July 1998, NUTEK published a book 'Ägarskiften i företag'²⁹ (Transfer of Businesses) with information about the situation in Sweden, advice on how to succeed in transferring a business and examples of success stories. NUTEK also put forward proposals for changing legislative provisions. These are currently under consideration by the Swedish government.

In Austria the issue drew the particular interest of the Government and this led to an analysis of the situation at the national level in co-operation with the business organisations. A report has recently been presented³⁰, and it is anticipated that for many enterprises considerable relief will be given from taxation on inheritance and gifts and greater time will be allowed for fulfilling other requirements. In the meanwhile the Chambers of Commerce have created a simple Internet system for bringing together retiring and prospective business people. A similar system exists in Denmark with a database of potential buyers and sellers of business, being used by regional information centres as part of an awareness campaign on the transfer of businesses.

Concerted Actions 1, 2 & 3

Box 4

Making the Transfer of Enterprises Easier in Spain

In Spain, where the issue is of great importance in view of the preponderance of family businesses in the structure of the economy, there have been direct measures in the taxation area to facilitate transfer, with large reductions in inheritance and gift tax.

The taxation incidence has been reduced by 95% on individual businesses or shares in businesses inherited by spouses or descendants.

Indirectly, reforms of the regulations governing change in business ownership and a new law on risk capital funds³¹ have facilitated continuity of commercial activity.

²⁹ S-E Johansson and M. Falk. 'Ägarskiften i företag', NUTEK and Ekerlinds Förlag, Stockholm, (ISBN 91-88595-18-8).

³⁰ Institut für Gewerbe- und Handwerksforschung 'Enquete über Unternehmensnachfolge bei KMU' Vienna 1999.

³¹ Law 1/1999, de Entidades de Capital-Riesgo y de sus Sociedades Gestoras.

2.4. General Assessment of the Results of Concerted Action 1

From the reports of the Member States, there has clearly been some important movement in relation to issues raised at the Fora organised under the first Concerted Action. It is in the nature of concerted action that it draws inspiration from movement that is taking place on the ground. What is important in this is that, irrespective of where changes in national legislation have been initiated, there is now considerable evidence that most Member States are moving in the same direction and that a European consensus is emerging on the necessary elements for a suitable regulatory framework for enterprises. The Concerted Action has both played a part in allowing this consensus to emerge and in articulating some of its characteristic elements. It has also allowed this progress to be documented.

This is not to say that there is no need for further changes. Movement in the right direction does not mean that we have already arrived and, in particular, the process of concerted action does not necessarily lead to a fully homogeneous business environment throughout Europe. Nonetheless, the changes are encouraging and further work under the Concerted Actions, which will largely take place within the framework established by the BEST Action Plan, has a firm foundation on which to build.

3. CONCERTED ACTION 2 : STIMULATING BUSINESS SUPPORT MEASURES

3.1. Stimulating Business Support Measures for Start-ups

3.1.1. The Madrid Forum on Support Initiatives for Start-ups

The Concerted Action on Support Measures for Enterprises in the Start-up Phase was launched at the Madrid Forum of 16th and 17th November 1995. The event jointly organised by the Commission and the Spanish presidency succeeded in attracting a large audience, including a wide array of political leaders, business organisations and practitioners in the field of business support services. The aim was to strengthen the effectiveness and coherence of measures designed to assist SMEs in their start-up and in the early stages of their development.

In the Commission's opening address, the Forum was reminded that such measures can have a very marked effect on the chances of survival of new enterprises. Subsequent contributions reinforced this point and consequently the first major conclusion of the Forum was an agreement on the continuing importance of policy and action in support of business start-ups.

The Forum was assisted in its deliberations by a document which had been prepared for the occasion on the basis of contributions from the Member States. 'The European Directory of Measures in Favour of Business Start-ups and Assistance for New Enterprises' listed support measures in each Member State and while not aiming to be entirely comprehensive, it did represent the first step in the attempts to provide a reliable information base for cross-border comparisons of support measures.

A number of themes emerged from this Forum. They included :

- the necessity for continuing efforts to improve the environment in which SMEs operate;*
- the significance of cultural and educational factors in encouraging a spirit of enterprise;*
- the need for simplification of the programmes of support in face of the multiplicity and complexity of the measures available;*
- the importance of tailoring support schemes to the stage of development of an enterprise;*
- the balance required between private and public provision in this field;*
- the need to promote networking, both between enterprises and between support agencies;*
- the potential of information technology, but also the continuing relevance of a personalised service;*
- the scope for improvements in the methodology for evaluating the measures used to promote business start-ups.*

Evidently the themes identified in the conclusions of the Madrid Forum encompass a very broad range of issues and while other more specific recommendations were made in the three working groups, the major contribution of the Madrid Forum, in retrospect, was in giving an orientation to the subsequent work. In particular, the discussions in the working groups on measures relating to training and information, access to finance and support infrastructure led to a follow-up seminar programme focusing on these areas and a number of the recommendations made influenced the support instruments that have been put in place by the Commission. The Internet instruments, for instance, being created by the Commission following a call for tender, envisage the possibility of electronic networking between business support organisations through a system of discussion groups. This is intended as a move towards the ambition of creating a continuous electronic forum on best practice that was a recommendation of one of the working groups at Madrid.

3.1.2. Follow-up Seminars on Support Measures for Start-ups

Discussion on follow-up with the Member States in the Concerted Action Steering Group led to the definition of a programme designed to produce a package of specific examples of good practice in the areas under consideration in Madrid. It was decided that this would be best achieved by holding smaller scale seminars on specific sets of issues. The seminars, hosted by one of the Member States, would aim to restrict the number of participants to allow real debate to take place and would involve a high proportion of expert practitioners.

In the course of 1998, three very productive seminars took place.

The first of the series was a seminar on training for start-ups in Stockholm in May in conjunction with the Swedish authorities. This was followed by a seminar in Madrid in June in conjunction with the Spanish authorities on issues related to finance for start-ups. A final seminar, jointly organised with the Finnish authorities, was held in November 1998 in Helsinki on support for innovatory enterprises through incubators.

At each of these seminars, there was not only agreement on the major elements necessary in a programme for providing effective support to start-ups, it was possible in most instances to identify particular cases that could serve as concrete examples of good practice.

Information on this good practice has been published in the first instance in reports from each seminar that have been circulated in the Member States. In addition some 20 particular cases have been identified as the basis for a much broader dissemination campaign.

These cases point to the following issues, with their corresponding cases of good practice:

3.1.2.1. Training and Information

<u>Issue</u>	<u>Good Practice</u>
<i>the need to establish a culture of entrepreneurship</i>	<i>the Danish Action Plan for Promoting a Culture of Entrepreneurship</i>
<i>supporting this by training trainers</i>	<i>the 'Trading Places' project of the Centre for Enterprise in Leicester in the UK</i>
<i>promoting enterprise in Higher Education</i>	<i>the TOP programme of the University of Twente in the Netherlands</i>
<i>the need for a package of coherent and practical information support for start-ups that is easy to access</i>	<i>an information package based on the national 'Entreprendre en France' scheme, developed by a group of support organisations in Poitou-Charentes</i>
<i>the scope for flexible access to this information through the use of information technology</i>	<i>the CD-Rom produced and widely circulated in Sweden by the 'Young Enterprise' network</i>
<i>the value of targeted help for particular groups of start-ups, such as women entrepreneurs</i>	<i>training of women by the GDO organisation in Portugal to present their business proposals effectively to banking organisations</i>

3.1.2.2. Finance for Start-ups

<u>Issue</u>	<u>Good Practice</u>
<i>the advantages of a financial agency at a national level whose prime responsibility is to ensure that start-ups have sufficient access to appropriate finance</i>	<i>in Germany, the role of the Deutsche Ausgleichsbank, with its comprehensive range of financial and advisory services for start-ups</i>
<i>ensuring that potential entrepreneurs are able to present themselves and their plans effectively to banks and other providers of finance</i>	<i>the 'Starter' service of the Belgian Generale de Banque</i>

the potential for more sympathetic treatment of start-ups by banks through 'relationship management' and other customer friendly practices

making available appropriate finance for start-ups, beginning with micro-loans

the potential for putting in place networks that can make better use of the opportunities represented by Business Angels

continuing to develop equity markets suitable for SMEs, not least as a means of creating an exit for risk capital investments

the 'relationship management' introduced by the Bank of Ireland

the micro-loans offered by Finnvera plc in Finland

the National Business Angels Network in the UK

the 'Neuer Markt' in Germany

3.1.2.3. Incubators

<u>Issue</u>	<u>Good Practice</u>
<i>the need for the right combination of services in incubators</i>	<i>the infrastructure, business planning and financial package of the IZET Innovation Centre and its regional partners in Schleswig-Holstein in Germany</i>
<i>the promotion of quality in service delivery</i>	<i>the implementation by Bordeaux-Productic of the French AFNOR standard for the functions and services of incubators</i>
<i>bringing about effective technology transfer</i>	<i>the links between academia, commerce and industry of St John's Innovation Centre in Cambridge in the UK</i>
<i>the scope for incubators in new sectors</i>	<i>the Travel Park Incubator Network in Finland that assists start-ups in the Tourism sector</i>
<i>the value of networking for incubators and for their clients</i>	<i>in Finland, the 17 incubators of the Helsinki region, co-ordinated by the Uusimaa Employment and Economic Development Centre</i>

mutual support at a national level

Implementing co-operation systems between enterprises through the Spanish Association of Business and Innovation Centres (ANCES)

the need for a balanced funding of incubators

the International Centre for Advanced Communication at the Sophia Antipolis Science Park in France relies on both private and public funding

the potential of the virtual incubator

the virtual technology park operated through the Lavantal Innovation Centre in the Austrian province of Carinthia

3.1.3. Dissemination Strategy

More detail on these cases in the form of a brief description is presented in Annex 2. This gives the text of a publication aimed at professionals involved in business support. This publication indicates sources of more substantial information on each case, but it is also designed to form the basis of a much broader dissemination campaign that will seek to exploit the possibilities of current information technology. Here the initial objective will be to make use of an Internet site both to allow widespread distribution of the cases identified at the seminars and to give access to further information. Each case cited, therefore, will have a brief description on screen, but there will also be links to the specific section of the report on the seminar with the details of the case as first presented and to other information, including whenever possible, links to the Internet site of the organisation concerned.

Box 5 provides an example of one such practice initially presented at the Stockholm seminar on training and information for start-ups.

Over the longer term, the aim is to create an Internet community initially of those that have participated in the Concerted Action fora, but subsequently of business support organisations generally. This community will be encouraged to conduct a sort of continuous electronic forum. This process will begin with a series of discussion groups based on participants in the start-up seminars. They will be invited to discuss the good practice cited, to propose other examples of possibly better practice and to raise related issues of quality and coherence in the delivery of support services. Since, at the beginning, this scheme will operate as a pilot project, active participation in discussions will be relatively restricted, but this should also mean that discussion can be well focused and well-informed and it will be open for any visitor to the site to read. The paper publication referring to the examples of good practice will draw attention to the Concerted Action web site and the possibilities of following discussion on the good practice initially identified through this site.

An example of the sort of ‘good practice’ identified under the Concerted Action on Stimulating Business Support Measures is the following :

Coherent and Practical Training Support in France

Issue :

Start-ups need a coherent and practical ‘package’ of training support, that is easy to access.

Good practice :

The “package” of training measures “Training for Business Start-up, Anytime, Anywhere”, is a distance learning programme, developed in the framework provided by the national “Entreprendre en France” network. It is offered by the six Chambers of Commerce and Industry of Poitou-Charentes in France, in association with the CNED (Centre National pour l’Education à Distance) the national agency for enterprise creation (Agence Pour la Création d’Entreprises) and CEPAC Atlantic Centre. Training modules help the entrepreneurs to analyse their own capabilities, the project feasibility and the necessary steps for the initial development of the business. A business project dossier, including a business plan, is prepared and close support is provided by advisors from the Chambers of Commerce and Industry and the professional associations belonging to the ‘Entreprendre en France’ network. The training material is produced and marketed through the CNED and is available in paper and electronic formats³².

For further information see annex 2

3.1.4. Methodology of Best Practice

Behind this strategy of dissemination lies a particular conception of the process of best practice identification. It is felt that essentially this must be an iterative process. In the first instance cases have been identified that appear to experts in the area to have a certain interest and to be worthy of consideration by other professionals. However, no-one is in a position to claim at this stage that they represent the best possible practice. Best practice can only be established by a much broader debate, by a critical comparison with other practices and by more rigorous and objective evaluation. It was for this reason that a **Working Group on the Methodology of Best Practice** was established by the Steering Group as part of the follow-up programme. This working group has begun to examine criteria for the definition of best practice and the possibility of using benchmarking and similar techniques in defining best practice in particular types of support service. A call for expressions of interest was published in April 1999 with a view to engaging consultants to conduct work on aspects of such a benchmarking exercise. It is intended that the working group will act as a focus for developing a more systematic analysis of best practice, building on the lessons of the first phase.

3.1.5. Member State Action on Support Measures for Start-ups

Drawing attention to the examples of good practice already identified also requires the assistance of the national authorities. This has taken various forms.

³² www.cned.fr

There have been a number of direct applications of ideas presented at the Madrid Forum and in the subsequent seminars. In response to a questionnaire on follow-up to the Forum, circulated in 1997, for instance, some Member States reported very specific action.

In the case of Finland, after an evaluation of the material presented in Madrid, the Ministry of Trade and Industry selected the ten most interesting measures for Finland and consulted with business support agencies. Three measures were considered suitable for adoption. One, for example, was a service operated by the regional Employment and Economic Development Centres, based on the Swedish telephone service for start-ups ('Startlinjen')³³.

In Greece, discussions subsequent to Madrid influenced the development of the Operational Programme for Industry within the Community Support Framework, in particular, through an improved structure to the support services provided for start-ups in areas such as business planning and technical assistance. There was also the adoption of measures for the creation of incubator units in various parts of Greece and assistance provided for established professionals who wished to create a new enterprise.

There was also use of the material presented in the Forum and seminars to stimulate national debates. A number of Member States report systematic dissemination of the on-going work to their main business organisations. In the case of the Netherlands the practices identified in the Forum and seminars were taken into account in a discussion paper called 'Klaar voor de Start' (Ready for the Start), circulated for comment to more than 400 organisations and then discussed in five expert meetings. The results of this consultation are now being incorporated into a policy paper shortly to be submitted to the Parliament. Increasingly the material generated is being made available to interested organisations via Internet sites, as in Austria, for example, where this has been the practice for a number of years.

Again there is some evidence of a general tendency to convergence in the face of similar problems. The Dutch Ministry of Economic Affairs launched the 'Twinning Project' for start-ups in the Information and Communications Technology sector in 1998, offering an integrated package of physical facilities, management support, finance and networking, as independently recommended by the Helsinki seminar later in the year. Similarly the Austrian 'Gruenderservice' operated by the Economics Ministry has been active in promoting entrepreneurship and developing the use of new information technology for providing information and advice. In Portugal, the SINPME network in the 14 regional offices of IAPMEI³⁴ provides a one-stop shop for information on national assistance for enterprises. It is supported by an integrated system for access to databases and the Internet and by highly trained information officers. In the area of finance, the idea of a Business Angel network developed in the UK has been taken up by the Netherlands, Germany and Austria and these networks are now being co-ordinated at a European level.

Business organisations have also contributed, not only to presentations and debate at the Concerted Action fora and seminars, but also to the dissemination of information on the

³³ Startlinjen has since developed its services, which are now available on the Internet : www.nutek.se/startlinjen.

³⁴ Instituto de Apoio as Pequenas e Médias Empresas e ao Investimento (Institute for Support for Small and Medium-sized Enterprises and for Investment.)

conclusions. The German savings banks, for instance, organised a conference on issues initially raised at the Madrid Forum and EURADA (the European Association of Development Agencies) has regularly published reports in its newsletter of Concerted Action events.

The work that has been done on support measures for enterprises in the start-up phase has produced a specific set of good practices that have started to influence the way that these measures are delivered across Europe. In the meanwhile the work programme has moved on to a consideration of support services for growing enterprises.

3.2. Support Measures for Enterprises in the Growth Phase

3.2.1. The Baden Forum on Support Measures for SMEs in the Growth Phase

The Forum entitled 'SMEs in the Growth Phase – Key Factors in Improving Competitiveness' launched a new stage in the second Concerted Action. It took place at Baden near Vienna in September 1998, under the Austrian presidency.

Again three broad areas of support measure were addressed by this Forum, training, finance and the promotion of co-operation. Work was commissioned prior to the Forum and presented to the workshops in order to define a framework for the discussion.

Among the initial conclusions³⁵ the following issues emerged:

3.2.1.1. Training:

- proper initial training helps enterprises both to survive and grow effectively;*
- training for growth should start as soon as the enterprise is established;*
- training of growing enterprises must move away from a system based on the occasional seminar. A life-long learning approach was the key;*
- development of entrepreneurial competencies must match the development of the enterprise throughout its entire life-cycle;*
- training should be sensitive to the differing requirements of different types of enterprise;*
- provision for training in preparation for the transfer of an enterprise should be built into the training plan;*
- publicising the availability of training and support is crucial;*
- there is scope for considerable improvement in training through innovative thinking, involving self-training in networks, co-operation between providers with different know-how, through 'regional competency centres' and more 'tailor-made' provision;*
- rigorous evaluation is necessary to improve the quality of provision.*

³⁵ 'SMEs in the Growth Phase – Key Factors in Improving Competitiveness' Proceedings, Austrian Federal Ministry for Economic Affairs, Vienna 1999.

In terms of the content of training, proposals were made concerning central processes in managing an enterprise, such as assessing needs and formulating business goals and concerning coaching in essential skills, such as the effective presentation of business plans.

3.2.1.2. Finance

- financial instruments need to be attuned to the differing requirements of the different kinds of enterprise;*
- problems affecting access to capital, should not only be tackled from the supply side but also by addressing managerial capabilities, a continuing aversion to equity capital and the problems in the information flows and communication;*
- finance for high risk projects is possible if the right assessment tools are used;*
- but the financing of innovation should not be restricted to high tech areas;*
- information tools can be used to increase the transparency with which finance is both offered and taken up;*

3.2.1.3. Transnational Co-operation

- assistance for co-operation between enterprises must be very flexible, to take account of the range of enterprise experience and the different forms it can take;*
- there continue to be barriers to co-operation which need examination and regulatory reform, for instance, to facilitate cross-border working by employees involved in co-operation;*
- more consistent follow-up can be very productive;*
- effective assistance can be provided to enterprises in developing cross border contacts;*
- greater promotion of existing instruments is required along with a more systematic evaluation of their strengths and weaknesses.*

An often-repeated theme at the Forum was the necessity to distinguish between the differing needs of different types of enterprise. In the concluding session there was a debate about the flexibility which is required to respond to these needs. This again pointed to the advantages of the method adopted under the Concerted Actions which provided this flexibility by encouraging rather than imposing improvements.

3.2.2. Follow-up on Support Measures for Enterprises in the Growth Phase

All the issues listed above are still very much provisional. The intention is to proceed in the same way as with the measures relating to start-ups. This implies that all measures for growing enterprises will be presented as a package, in line with one of the principal

themes emerging from all the discussions on support measures, namely that the services should be provided in a comprehensive, coherent and consistent way. As with start-up measures, further investigations of particular themes will be pursued. It was not possible at the Baden Forum to address the whole range of measures for growing enterprises. Having focused on training, finance and co-operation, it was necessary to complement this process by examining the rapidly evolving range of business support services that are offered. For this reason the Concerted Action Steering Group decided to organise a series of seminars in 1999 and the beginning of the year 2000, which would address the following :

- the use of the Internet;
- new export support services in a globalising economy;
- strategic support services, such as benchmarking, supply chain management strategies and co-ordinated services, particularly at a regional level.

A seminar on encouraging the use of the Internet by SMEs and its applications in support services took place in Paris in February 1999. A rich variety of perspectives and practices were presented on this complex and rapidly evolving area. The proceedings have been published by the French authorities in the form of a CD-Rom³⁶. The analysis of this material, the determination of the key issues and the identification of good practice that should be highlighted is still being undertaken.

Some of the issues raised, however, can be summarised as follows :

- *a clear vision needs to be developed on how to promote the exploitation of the Internet;*
- *awareness raising is still required among enterprises;*
- *de-regulation is necessary, but also the promotion of competitiveness through research and development; validation, implementation and assessment mechanisms are also necessary;*
- *partnership and co-operation are key, particularly in value chains and industrial clusters;*
- *appropriate financing is needed and legal assistance;*
- *virtual incubators could be particularly appropriate;*
- *the public authorities have a role in their own use of the Internet, in promoting a wider awareness of electronic payment and in the improvement of logistical systems;*
- *better information on what is happening in the industry should be created through data collection observatories and surveys.*

The other two seminars are scheduled to take place in November 1999 and February 2000.

³⁶ Ministère de l'économie, des finances et de l'industrie, 'Les Actes du séminaire : L'Internet au service des PME', Paris 1999.

In addition, in order to focus on the situation of rapidly growing SMEs, the Forum on Rapid Growth and Competitiveness through Technology in Helsinki on 16-17th September 1999, under the Finnish presidency, also took place within the Concerted Action framework. This represented a response to the strong theme, emerging particularly from the Baden Forum that a differentiation should be made between different types of enterprise when attempting to identify effective support measures. The results of this Forum are still being analysed, but it is clear that a better understanding of the nature of rapidly growing firms was achieved, along with an appreciation of how developing information technologies impact on them. A number of good cases of effective support for firms of this kind were presented and there was identification of several encouraging practices in which public administrations are using new technology to provide more effective services to enterprises. As with the other elements in the analysis of support measures for growing enterprises, the detailed results of this Forum will be published in due course.

3.3. The Quality of Information

An issue that arose at an early stage in the Concerted Action on Support Measures was the nature and extent of the information base for an effective comparison of support measures. For the Madrid Forum of 1995, as has already been mentioned a directory was produced giving information on support measures for start-ups in all the Member States. It was subsequently decided to improve this data source and constitute it as a database. After a call for tender and the award of a contract, the **'Support' database** has now been created with over 700 measures relating to start-ups in EU Member States. The intention of the Commission is to extend this database to cover measures relating to other phases of enterprise development, to make it available in more Community languages and to make it accessible via the Internet, with separate interfaces for enterprises on the one hand and for officials and business support organisations on the other.

It is also important to point out that it is hoped that the Support database will itself become a focus and instrument of concerted action. In fact, it is already becoming so. The range and quality of the data will depend in the future, as in the past, on the active co-operation of the Member States. But more significantly the use of the database as an instrument in reflections on developments in support policy at a national level, which has already begun in a small way, has considerable potential. The database has been designed to facilitate not only simple entering of new data, but also a simple procedure for distributing the results of searches in various formats. This active use of the database is very much encouraged by the Commission which will try to ensure that as the database evolves, more information will be made available that reflects the basic objective of facilitating the identification of good practice. In particular more data will be entered concerning the impact and evaluation of each support measure.

3.4. Conclusions

There has been a considerable movement in the orientation of the Member States towards support measures for enterprises. The Concerted Actions have played a part in helping some of this movement and in beginning to establish a framework for observing further progress. Much remains to be done, including a completion of the examination of support measures for growing enterprises and the effective engagement of professionals in business support organisations in the adoption of better practices. This will be helped by

the electronic forum and other systems that are now being put in place. But the work under Concerted Action 2 has also identified a number of central themes that are important for addressing the aim of creating first class support services for enterprises. These themes include the need for measures to be designed to fit the specific circumstances of different types of enterprise, the need for services to be provided as a consistent and coherent package, the need for them to be easily accessible, the growing scope for using information technology for this purpose and the need for quality standards to be established. Before setting out the full picture, it is necessary to consider the results from the third Concerted Action that add an extra dimension to these issues.

4. CONCERTED ACTION 3: INCREASING THE VISIBILITY AND EFFECTIVENESS OF SUPPORT SERVICES

4.1. The Visibility and Effectiveness of Support Services

4.1.1. *The Dublin Forum on the Visibility and Effectiveness of Support Services*

The Dublin Forum on the Visibility and Effectiveness of Support Services in November 1996 introduced the **third Concerted Action**. The Forum considered the issue of stimulating the demand for support services and the related question of how the visibility of support services can be increased.

The issues were addressed by distinguishing between the promotion of support services by public authorities at national and regional levels and by intermediary bodies and then by looking at the marketing of support services.

The overall themes to emerge were the following:

- *client-orientation : enterprises need to be involved more systematically in shaping the design and delivery of support measures and services;*
- *there are probably too many programmes and services and too many organisations delivering them; they should be rationalised, particularly at a regional level;*
- *a modern business service culture should be developed in support organisations;*
- *services need to be targeted better, taking different kinds of enterprise into account, and to have more substance and depth to them; they should move away from those traditionally provided towards services linked to essential business innovation processes;*
- *evaluation of programmes and services should be a standard practice.*

An issue that was not resolved, but which clearly is important, is the question of the right balance between public and private provision of support services. There are substantial differences in how this question is perceived across the EU, but in any event, it is evident that co-operation between public and private services is crucial.

Two organisations were pointed to as good examples of the provision of high quality services that were well-orientated towards meeting clients' needs. These were ERVET³⁷ of Emilia Romagna in Italy and FORBAIRT³⁸ in Ireland.

Specific recommendations were made about the marketing of support services:

³⁷ www.ervet.it/english/Welcome_e.htm

³⁸ Forbairt is now part of Enterprise Ireland, whose services are explained at : www.irish-trade.ie/main.html

- *national campaigns are most effective as a backdrop to local promotion of services and should concentrate on raising general awareness;*
- *at a local level, there needs to be co-ordination between agencies to ensure that a clear message is conveyed;*
- *promotion should emphasise what the enterprise wants not what the support organisation can provide;*
- *it is important to overcome the isolation of SMEs, providing structures, such as export clubs, experience exchange groups and other forms of networking that can help enterprises make better use of available services;*
- *direct visits to enterprises and telephone promotion can be rewarding;*
- *organisations such as banks can be used to promote services;*
- *use should be made of information technology, and especially the Internet.*

Although approaching the subject from a different angle, it is interesting that again at Dublin the issues of the coherence of service provision and its quality came to the fore.

4.1.2. Follow-up relating to the Visibility and Effectiveness of Support Services.

In the discussions following the Dublin Forum there was some comment on the extent of the overlap between the subject matter of the second and third Concerted Actions. It was acknowledged that the two Concerted Actions were often looking at the same services from different perspectives and the Steering Group agreed that work on the two actions would proceed in parallel. Nonetheless it was also recognised that Concerted Action no 3 was addressing a distinct and important question. There are not only issues about the content and rationale of support services, but also about the way that they are delivered. Moreover, the perceptions and motivations of support service users, primarily SMEs, should continue to be addressed.

One of the first instances of this was the seminar on quality services to enterprises organised in Rome in February 1998. Discussion at this seminar was wide-ranging, but among the issues under consideration the following were included:

- *the need to ensure that enterprises could access without undue difficulty a comprehensive set of business services;*
- *within this broad range a consensus should be created on a core set of services that should be available anywhere in Europe;*
- *at the same time, a confusing profusion of support services should be avoided;*
- *service providers should be client-oriented and sensitive to enterprises' individual needs and circumstances;*
- *enterprises need better information both on the availability of business services and on their nature and quality;*

- *systems for assuring enterprises of the quality of the services provided need to be created, particularly by the certification of suppliers and through codes of conduct;*
- *new ways need to be found to encourage the take-up of business support services, including dealing with this issue in the training of both entrepreneurs and service providers and through the appropriate use of information technology.*

Concerted Action 3

Box 6

The Transparency of Support Service Markets in Italy

The Italian Directory of private support service providers.

In order to promote services in the area of training and consultancy, the Italian Union of Chambers of Commerce (Unioncamere), in conjunction with a number of partners, has created a Directory of over 700 (largely private-sector) service providers, which can be consulted on the internet³⁹. Searching the database by category of service (14 types are identified) and by region or for the whole country produces a list of experts and consultants, who have each provided specific information about themselves. This information consists of contact details, areas of know-how, turnover, numbers of clients and employees, banker's references, any certification and membership of national and international associations, details of past and current assignments and participation in Community Programmes.

Unioncamere is not in a position to provide any guarantees concerning the entries in the database, but the system enormously increases the transparency of the market for these services and consequently helps to address a significant market failure. Enterprises are able not only to locate sources of assistance more easily but to do so with greater assurance.

Another aspect of the continuing attention paid to the question of visibility and take-up of support services is illustrated by the activities of a special working group set up by the Concerted Action Steering Group. Following on from the seminar in Rome, the Italian authorities proposed to examine in greater detail the attitudes of both s and support organisations to the nature and quality of support services. A number of the Member States expressed an interest in examining this question and after discussion in a visibility working group, a co-ordinated study is being conducted in a project financed jointly by the five Member states involved and the Commission.

Finally it should be mentioned that a number of the issues identified in Dublin have been considered in the drafting of the Recommendation on the Access of SMEs to Support Programmes⁴⁰ which is being considered for adoption by the Commission. There is obviously some overlap between support programmes and support measures, even though programmes are usually more elaborate, requiring, for instance, formal applications, often in competition with other applicants, in contrast to the open access to support measures. It is therefore not difficult to see that many of the practical problems experienced by enterprises in following the procedures for accessing Community and national support

³⁹ www.repertorio.camcom.it

⁴⁰ Commission Recommendation on the Means of Improving the Access of Small and Medium-sized Enterprises to Support Programmes.

programmes are similar in nature to difficulties encountered in the apparently simpler process of making use of support services. Often there is not adequate information, programmes are not designed to take the differing circumstances of SMEs into account and SMEs are not in the best position to exploit effectively what is being offered.

4.2. General Assessment of the Results of Concerted Actions 2 & 3.

A series of clear themes have emerged from the work on both aspects of support provision for enterprises. In spite of the undoubted good practice that exists around Europe and the dedication of many of the people who assist enterprises, there is definite room for improvement and in fact it is precisely the professionals in the field who are leading the call for such improvements.

The themes can be summarised as follows :

- support to enterprises must be client-oriented;*
- there is a need for services to be more comprehensively provided across all regions of the European Union and for there to be greater coherence and consistency in this provision; above all the general standards of service quality should approach that of the best anywhere in the Union;*
- different services for different types of enterprise: the distinction between measures for different phases of development (start-up, growth phase, transfer from one generation to the next) needs to be taken further;*
- for each type of enterprise a core package of services, clearly related to all the major functional areas of business activity, should be defined and should be within easy access of any SME;*
- suitable use of information technology should be made to help provide this access;*
- quality standards for these services need to be defined; performance benchmarks have to be established and then continuously reviewed; moreover, evaluation of measures should be routinely built into their operation;*
- the increasing professionalisation of staff delivering business support measures is urgently needed, whether operating in the private or public sectors; this has to be supported by appropriate training and qualifications, career structures, the development of professional associations and public recognition;*
- the drive to improve quality and professionalism should be based on an active programme of best practice identification and exchange.*

In short, although covering a vast array of different practices and approaching the subject from different directions, both of the Concerted Actions have arrived at two common central themes: the need for increased coherence in the services offered to enterprises and for the quality of these services to be assured, wherever they are provided.

5. CONCLUSIONS AND FUTURE DEVELOPMENTS

5.1. Summary of the Achievements of the Concerted Actions

The programme of the Concerted Actions is a relatively ambitious one. It started with some of the fundamental themes in Enterprise policy, and required examination of issues that have many ramifications. A considerable amount of co-ordination was required, notably of inputs from all the Member States, and it was necessary to involve a large range of professionals and business organisations. The process of identifying and exchanging best practice and the instruments used to achieve this were relatively unfamiliar and, to an important extent, had to be developed along with the programme. With no legal requirement beyond the general provision in the Treaty, essentially this process was driven by good will. Moreover, everything had to be done within the existing budgets of the Commission and the Member States.

Set in this context, considerable progress has been achieved with the Concerted Actions. A particular aim, cited in the Integrated Programme⁴¹, was to achieve a better targeting and convergence of policy measures. This has happened. It is clear from the results of each of the Concerted Actions that the authorities in the Member States have learned a considerable amount from their counter-parts elsewhere in the Union and have applied these lessons in their own legislation and practices.

It is also possible to point to specific changes that have been brought about by Concerted Actions. Furthermore, they have had an important function both in helping the growing consensus to be articulated and in allowing progress in improving the situation for enterprises to be observed and monitored.

There is now a debate on the business environment and on support measures conducted at a European level and there has been observable progress in this debate in terms of defining clear and coherent ideas about priorities. The Concerted Actions have been able to articulate that. Better targeting and some convergence have consequently been achieved and markers have been set by which further progress can be measured.

The emerging consensus on priorities will be able to build on the specific recommendations for improving the business environment and developing services for enterprises characterised by their comprehensiveness, quality and flexibility that are set out in sections 2.1 and 4.2 above.

There has also been progress in the routines and procedures developed for the Concerted Action fora and seminars. The experience accumulated in organising these events has helped the Commission and the Member States make them more productive.

There has been better focus in debates brought about by reference to a well-defined framework. Through participation in an established programme of events, clear progression has been evident in subject matter and methodology. There has also been more extensive preparation in some instances and certainly a greater degree of follow-up.

⁴¹ Integrated Programme for Small and Medium-sized Enterprises and the Craft Sector, Communication from the Commission. COM(1996)329 final of 10.07.1996, p. iv.

This has been achieved at little extra cost to Community and national budgets, as confirmed in the Evaluation Report on the 3rd Multi-annual Programme for SMEs,⁴² where the Concerted Actions are evaluated very positively.

The first part of the programme for the Concerted Actions, as initially envisaged in the Integrated Programme, has now largely been achieved. The final elements will be provided in the events concerning support measures for growing enterprises, that are planned for the end of 1999 and the beginning of 2000.

It is evident that the main lessons to be learned from the Concerted Actions are precisely the concluding themes that were presented in points 3.4 and 4.2 above. Together with the Recommendation on Improving the Environment for Start-ups, the Communication on the Transfer of SMEs, the BEST recommendations and the BEST Action plan, these themes define the priorities for the next phase of Concerted Action.

5.2. The Next Phase of Concerted Action

The next phase of concerted action will have to see a new framework to provide the sort of perspective that was a major contribution of the Integrated Programme. Developing the themes of the initial framework, the next phase will also have to ensure that the results of the work of the first phase continue to be acted upon, to amplify what might be called the **second wave effects of concerted action**. These consist of the real and specific changes, recommended in the first phase, in the practices of public authorities and both public and private agencies, in the direction of a more coherent and effective provision of the publicly determined elements of the business environment for enterprises.

Continuing to encourage and monitor the adoption of the provisions of the Commission Recommendation on Improving the Business Environment for start-ups and the Communication on the Transfer of Businesses, and indeed the BEST Report, will be a significant element. The effective dissemination and further adoption of the results of Concerted Actions 2 and 3 will be the other part.

In this it will be necessary to continue to refine the procedures and approach of Concerted Actions. There is general agreement that the current rolling work programme should develop a longer perspective, looking several years ahead, and that the experience gained from the organisation of the earlier work should be documented in the form of a vademecum. The IT instruments used in support of Concerted Actions will need a lot of further development, not only in terms of the technical aspects but also in making them effective instruments of analysis and co-operation by the Member States.

It will also be necessary to take into account a wider constituency than has so far been involved in a systematic way. Some of the recent events in the Concerted Action programme were smaller in scale than the initial fora and more focused on particular areas of expertise, relating to the provision of specialised training, financial services and incubator management. These events particularly allowed a certain amount of networking of professionals in the area concerned and discussion about continuing debate on the questions that were being raised. Ideas about new directions for the services under

⁴² Final Report. Evaluation of 3rd Multi-annual Programme for SMEs, COM(1999)319 final of 29.06.1999.

consideration were reflected in the formal conclusions of the seminars. Subsequent contacts have confirmed that there is an interest in following up the initial discussion and establishing an on-going debate about an exchange of best practice and the promotion of coherence and quality in the services in question. This interest is reflected in the arrangements for the discussion groups that have been established as part of the Internet provision for concerted action. This builds on developments that are taking place within the organisations concerned, where issues to do with the quality of service provision are already a matter of high interest. Providing the opportunity for this work on the definition of best practice to reach a wider audience will become a major feature of the programme for concerted action over the next period.

It is important, however, that these developments are seen in the context of the on-going programme of work of the Concerted Action Steering Group. Reference was made in section 2 to the two working groups on the methodology of best practice and on the visibility and take-up of support services. These working groups are both dealing - from different angles - with the question of how to establish objective criteria for judging best practice. On the one hand, the definition of best practice can be approached by the iterative process of publishing 'good practice' and inviting the professional audience to cite better practice. This is the approach inherent in the debates to be conducted through the Internet site. On the other hand, it may be possible to identify a priori the criteria by which best practice is defined and to apply these criteria in establishing benchmarks for service delivery performance in a range of support services.

The working groups are pursuing analysis leading in this direction. In fact, the two approaches are intended to feed off each other and lead to a rapid arrival at a set of performance indicators that can serve as reference points for definitions of quality standards of whatever form, professional codes of conduct or other instruments for delivering first-class quality support services for enterprises.

The interaction between these two approaches to the definition of best practice is not only of significance in terms of the methods applied. The Concerted Actions have developed an approach that is highly suitable to work where the application of the principle of subsidiarity is not only a constitutional requirement, but a guarantee of effectiveness. The input of the Member State authorities into the establishment of fundamental criteria for the process of objectively defining best practice will allow them to determine the direction of the debate among professionals. In turn this should ensure that the recommendations that arise are applicable right across the European Union and can be taken up by the Member States.

These developments will take us beyond the essentially subjective approach to best practice definition inherent in the earlier Concerted Actions. The simple presentation of interesting ideas and practices at large scale fora certainly has its place. The inspirational value derived from seeing how colleagues elsewhere tackle familiar problems is an important motivational factor. However, it also has its limitations and it is now clear that the growing concern for a professionalism in support service delivery means that the definition of best practice has to be more systematic.

Of course, in referring to the next phase of concerted action, it should be borne in mind that this process of co-operation between Member States does not proceed by discrete jumps. Many of the moves to provide a more substantial underpinning for concerted action are already under way. Nor do the Concerted Actions operate in a vacuum. It is

also necessary to take into account other important developments in Enterprise and related policies. Among these, the BEST Action Plan has set a certain course. In addition, the annual National Action Plans on Employment, which, in relation to the entrepreneurship pillar, report on on-going and planned activities to improve the entrepreneurial climate, also have to be taken into account.

The Concerted Actions are at a point where there is not only a need to recognise the developments indicated by their own internal logic, but also to allow them to make an effective contribution to these other important European initiatives. In fact, the BEST Action Plan already envisages such a contribution and, since the motivation for the Concerted Actions was initially, and still remains, similar to that behind both BEST and the specific pillar on entrepreneurship in the Employment Guidelines, the links are not difficult to establish.

The precise form of further developments is outside the scope of this Report. They will have to be determined in conjunction with the other elements that will together make up Community Enterprise policy after the expiry of the current Multi-annual Programme. However, it is clear that what the Concerted Actions can contribute is a distinctive and increasingly sophisticated approach and methodology. Together with the detailed record being accumulated of important changes across Europe in central areas of Enterprise policy, concerted action promises to continue to be a significant part of the efforts of the European Union and the Member States to develop and implement a coherent strategy for encouraging growth and competitiveness through strong and dynamic enterprises.

Annexes

Annex 1: Programme of Concerted Action Events

Annex 2: Helping Businesses Start-up – A 'Good Practice Guide' for Business Support Organisations

PROGRAMME OF CONCERTED ACTION EVENTS

	Start-up	Growth	Transmission		Subsequent Action
Business Environment	Paris '95				Commission Recommendation & Communication*
Support Measures	Madrid '95 Stockholm Madrid Helsinki	Baden '98 Helsinki '99 Paris Copenhagen Athens	Lille '97		Seminars, Dissemination of Good Practice on Start-ups, Working Group on Best Practice
Visibility & Take-up of Services	Dublin '96 Rome				Seminar, Working Group on Visibility & Take-up

* Commission Recommendation on Improving and Simplifying the Business Environment (22/04/97).
Communication of the Commission on the Transfer of Small and Medium-sized Enterprises (28/03/98).

European Commission

Helping Businesses Start-up

A ‘Good Practice Guide’ for Business Support Organisations

Introduction

The diversity that characterises the European Union is, in many areas, also one of its major strengths. This publication is helping to launch a process that will exploit this strength for the benefit of the growing number of small and medium-sized enterprises that are the driving force of the modern European economy.

Most enterprises require assistance at some stage in their development. This is particularly the case for enterprises at the beginning of their life. There is now a lot of evidence that the right environment and the right type of information and advice at this stage can help both to launch the business successfully and also to ensure that it survives the difficult early years.

In this publication you will see the results of a programme of consultations on business support measures conducted as 'Concerted Actions' between the Member States of the European Union. Some twenty examples have been identified of good practice in providing assistance to start-ups in the areas of training and information, finance and through direct support in the form of incubators. A short description is provided of each 'good practice' along with sources of further information, particularly relating to the seminars where the case was initially presented and the internet sites of the organisations concerned.

I hope these examples of good practice are of interest to all involved in business support measures, but especially to the professionals working directly with enterprises and helping them to develop their business. It is clear that there are numerous other examples of good or even better practice known by people with this practical experience. Indeed, part of the purpose of this publication is precisely to encourage a feedback of information on other examples and a debate on their respective merits. If you are a professional involved with business support measures, I hope that you will actively follow this debate. Details of its organisation are provided in the next few pages.

Learning from each other, adapting each other's best practices with a view to improving existing support measures, these are the ways that across Europe we can build truly professional support services for enterprises with the highest possible standards of quality. I recommend this publication to you as an important contribution to this process.

Helping Businesses Start-up

A 'Good Practice Guide' for Business Support Organisations

New enterprises bring innovation and vitality to modern economies. They allow new products and services to find their way rapidly on to the market and new techniques and processes to be introduced flexibly. In this way, they create employment opportunities for a growing proportion of the working population. The creation of new enterprises is therefore a policy priority for all of the Member States of the European Union.

When starting up, enterprises need the right conditions in which to flourish. They also often look for external guidance and assistance. Sometimes this is provided informally by friends and acquaintances. But when professional assistance is sought, this is often from one of the wide range of business support organisations that exist across Europe, many of which have services which are specifically dedicated to assisting start-ups.

In many instances this assistance can make the difference between success and failure. In any event, new entrepreneurs certainly expect a service that is easily accessible and adapted to their needs and is of a high quality. This is no more than they deserve.

Many of the services provided are already highly professional. There is a lot of good practice. But even the best business support organisations know that they can learn from the experience of others and particularly from similar organisations elsewhere in Europe.

The purpose of this publication is to help to bring improvements in the broad range of support to small and medium-sized enterprises by promoting the spread of good practice.

There is broad agreement about principles. The BEST Report⁴³, for instance, which has been widely welcomed, makes a number of recommendations about the necessary improvements in the business environment and in business support services. This current publication, however, takes the process further by pointing to specific examples that illustrate how, in the case of support measures for start-ups, the principles are being put into practice.

These examples have been gathered through a programme of co-operation in enterprise policy between the Member States of the EU, known as 'Concerted Action'. In this programme, the European Commission has helped the Member States to organise an extensive exchange of experience in areas that are crucial for the success of enterprises and for the competitiveness of the European economy.

In a series of fora and more restricted seminars the issues for start-ups have been identified in the areas of training and information, access to finance and the provision of direct support in the form of incubators. Practitioners and specialists nominated by the Member States have participated in debates and have explained how their organisations have developed high quality provision in these areas.

⁴³ Report of the Business Environment Simplification Task Force, Office for the Official Publications of the European Communities ; Luxembourg 1998, ISBN 92-828-3418-2.

A number of the cases cited in the course of the Concerted Action programme are outlined below. Moreover, reference is made to sources of further information on these 'good practices', both in the reports of the seminars in which they were presented and, where available, in relevant Internet sites.

The selection of the particular cases listed was conducted on the basis of the conclusions of the seminar debates, from which the most important issues for start-ups were identified. The Commission has worked together with the Member States to establish which practices illustrate the point at issue clearly and are worthy of further consideration.

It is hoped that the good practices cited will be of interest in their own right and will stimulate reflection and change among support agencies that have a responsibility for business start-ups. However this publication is only a beginning. It is clear that there are many other examples of good practice. The intention is that a much broader debate will be initiated in which information on these other practices will be provided and their respective merits considered. This, in turn, should lead to a much wider exchange of good practice.

Further information about good practice identified through the Concerted Actions is to be found on the European Commission's Web site at:

<http://europa.eu.int/comm/dg23/index.htm>

In particular, up-to-date information on the good practice cited below and on the other cases presented at the Concerted Actions fora and seminars can be found.

However, this site also offers to business support organisations and to others interested in enterprise policy:

- * the possibility of further investigation into initiatives and policies of the Member States of the European Union,
- * debate on best practice in a wide range of support measures through a series of discussion groups.

The discussion groups in particular will be pushing forward the debate about best practice and standards in support services and the broader range of support measures and, after a pilot phase, will be seeking the active involvement of an ever wider group of professionals in the provision of support measures. Those who wish to follow this debate or to make their own contribution should look at the Discussion groups on the Concerted Actions home page.

Further developments are under way, both in terms of identifying good practice in support for enterprises during other phases of their life cycle and in terms of enhancing the web site as a source of information and inspiration for those responsible for providing enterprises with the support they require. If you have a professional interest in helping enterprises achieve success, make a point of watching the developments in this area and see if you can learn from the ideas and practices of your colleagues across Europe.

Twenty Examples Of Good Practice

Measures to assist business start-ups range from developing the right motivation at school and providing a conducive physical environment for bringing a business idea to fruition, through to making available very particular types of information and advice and giving access to the right type of finance.

The following examples illustrate how, across the range of support measures, it is possible to provide effective assistance to start-ups. Together they represent a package of measures, underlining the point that start-ups have a range of needs and that they will succeed best if their support is both comprehensive and of a high quality.

<p style="text-align: center;">DISSEMINATION OF GOOD PRACTICE RESULTS TRAINING AND INFORMATION FOR START-UPS (STOCKHOLM)</p>
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Training is one of the essential prerequisites to the creation of an enterprise, and to its survival. In recent years, a large number of countries, institutions and organisations have developed training programmes targeted at entrepreneurs. In addressing this issue, the Stockholm seminar aimed to present some of the most successful training programmes, and to make a contribution towards improving training facilities throughout Europe.

Further information on the following examples can be found in Training for Business Start-ups, Final report of the Stockholm seminar, 4-5 May 1998

1. A culture of entrepreneurship

Issue:

A culture of entrepreneurship needs to be encouraged, particularly among young people, by promoting enterprise in the school curriculum and encouraging a more positive perception of entrepreneurs, including those who do not succeed initially. This needs to be supported by appropriate teaching materials and educational facilities.

Good practice:

The Ministry of Education in Denmark has set up a programme to promote entrepreneurship in the education system. This programme is known as the “Handlingsprogram for dansk selvstaendighedskultur: Ivaerksaetteri og innovation” or “Action Plan for Promoting a Culture of Entrepreneurship in Denmark: Entrepreneurship and Innovation.” Over a 2-year period, 30-40% of young people have received training in entrepreneurship, ranging from primary and lower-secondary school to university and vocational levels. 200 projects have been implemented, which means that facilities and teaching materials have been developed for the whole education system. Teachers have received particular training in entrepreneurship. An evaluation of the programme shows that, after receiving the training, pupils and students have been much more motivated to start their own business or to work in an SME.

Organisation:

The Danish Ministry of Education

Contact details:

Jørgen Balling RASMUSSEN

Undervisningsministeriet
Frederiksholms Kanal 25F
1220 Copenhagen K
DENMARK
Tel: +45 33 92 50 00
Fax: +45 33 92 55 47
E-mail: Joergen.Balling.Rasmussen@uvm.dk

2. Training the Trainers**Issue:**

To bring about a change of culture in the school system and in higher education, teachers, academics and trainers must themselves change their attitudes and approach. They can be assisted in making this change.

Good practice:

In the “Trading Places” project, the Centre for Enterprise Leicestershire in the UK works to promote interaction between educational institutions, the business community and business support organisations. The scheme basically offers academics the chance to change places with business people for part of the week. They thus gain direct experience of adapting their academic knowledge to particular small business problems. Entrepreneurs are given the opportunity to work within an academic institution and to share their experience of managing an SME with students. The accumulated experience of many such exchanges is leading to a collection of case studies that will be available for teaching purposes across the region, to a longer term modification of teaching programmes, and to long-term collaborative partnership.

Organisation:**Centre for Enterprise Leicestershire****Contact details:**

Paul HANNON

The Centre for Enterprise
The Innovation Centre
49 Oxford Street
Leicester
LE1 5XY
UNITED KINGDOM
Tel: +44 (0)116 250 6068
Fax: +44 (0)116 250 6069
E-mail: centforent@webleicester.co.uk

Further information:

Report: Trading Places - Academics in SMEs project.

Internet: <http://www.centreforenterprise.co.uk> (under development).

3. Promotion of Enterprise in Higher Education**Issue:**

Universities and other institutions of higher education could do a lot more to encourage entrepreneurship among their students.

Good practice:

The University of Twente in the Netherlands has developed an infrastructure for stimulating, nurturing and supporting the entrepreneurial spirit among its students. Its TOP programme directly supports students starting enterprises with facilities, mentoring and interest-free loans. But the University also tries to see that entrepreneurial attitudes play a part in its intellectual life, in the courses it offers and in its encouragement of experimentation with enterprising projects.

Organisation:

University of Twente

Contact details:

Dr van der SIJDE

Jan van BENTHEM (Project manager TOP-projects)
Liaison Group University of Twente
P.O Box 217 - 7500 AE ENSCHEDE,
THE NETHERLANDS
Tel: +31 534894699
Fax: +31 53 4893360
E-mail: j.w.l.vanbenthem@lg.utwente.nl

Further information:

Report: An Infrastructure for Academic Entrepreneurship.
Internet: <http://www.utwente.nl>

4. Coherent and Practical Training Support**Issue:**

Start-ups need a coherent and practical ‘package’ of training support, that is easy to access.

Good practice:

The “package” of training measures “Training for Business Start-up, Anytime, Anywhere”, is a distance learning programme, developed on the framework provided by the national “Entreprendre en France” network. It is offered by the six Chambers of Commerce and Industry of Poitou-Charentes in France, in association with the CNED (National Centre for Distance Learning) the Agency for Enterprise Creation and CEPAC Atlantic Centre. Training modules help the entrepreneurs to analyse their own capabilities, the project feasibility and the necessary steps for the initial development of the business. A business project dossier, including a business plan, is prepared and close support is provided by advisors from the Chambers of Commerce and Industry and the professional associations belonging to the Entreprendre en France network. The training material is produced and marketed through the CNED and is available in paper and electronic formats.

Organisation:**CEPAC Centre Atlantique****Contact details:**

Madame Maryvonne BOULESTIN
CEPAC Centre Atlantique
10 place du Temple
F-79000 Niort
FRANCE
Tel: +33 5 49287970
Fax: +33 5 49245711

CNED
Téléport 4 BP 200
F-86980 Futuroscope Cedex
FRANCE
Tel: +33 5 49499494

Further information:

Report: Training for Starting a Business, at Anytime, Anywhere
Internet: <http://www.cned.fr>

5. The Use of Information Technology**Issue:**

Information Technology can provide flexible access to training for potential entrepreneurs and make it more appealing and more informative.

Good practice:

The 'Young Enterprise' network in Sweden, like its counterparts elsewhere in Europe, offers experience of setting up and running a company to young people between the ages of 16 and 20. 75% of Sweden's 'gymnasium' schools participate in the scheme. Recently, interactive training material has been provided for the students by means of a CD-ROM, which was widely circulated and is easily adaptable.

Organisation:

Young Enterprise Sweden

Contact details:

Johan CARLSTEDT

Young Enterprise Sweden,
c/o Industriförbundet
Box 5501
S-11485 Stockholm
SWEDEN
Tel: +46 8 7838068
Fax: +46 8 6624176
E-mail: johan.carlstedt@industriforbundet.se

Further information:

Report: A Description of Young Enterprise Sweden.
Internet : <http://www.ungforetagsamhet.se>

6. Help for Women Entrepreneurs**Issue:**

Certain groups of entrepreneurs, especially female entrepreneurs, face particular problems and require particular types of training.

Good practice:

Among the numerous examples of specific training support for women, the assistance provided by the Portuguese organisation GDO addresses the problem of accessing bank credit. Women are trained both to present their own case effectively to the bank, and to have a better appreciation of the banks' expectations. Assistance is also given with the negotiation of rates and guarantee conditions.

Organisation:

GDO

Contact details:

Luis Alberto FERNANDES

GDO

Rua do Borja n°55 – 2a C/V DTA

1350-045 LISBOA

PORTUGAL

Tel: +351-21-3979977/78

Fax: +351-21-3979978

Further information:

Report: Training Women in Negotiations with Banks.

<p style="text-align: center;">DISSEMINATION OF GOOD PRACTICE RESULTS FINANCE FOR START-UPS (MADRID)</p>

The Madrid seminar aimed to deepen the analysis of new financial support measures for the creation of enterprises in the different Member States. In centring the debate on financial mechanisms for start-ups, it was recognised that this factor is still one of the principal barriers to the development of entrepreneurial projects. The exchange of best practice between Member States can help to reduce such financial obstacles.

Further information on the following examples can be found in Finance for SMEs in the Start-up Phase, final Report of the Madrid seminar, 22-23 June 1998

1. The Institutional Framework

Issue:

There needs to be a financial agency whose prime responsibility is to ensure that start-ups have access to finance.

Good practice:

The Deutsche Ausgleichsbank concentrates on the promotion of start-ups and enterprises in the early years of their operation. It offers a comprehensive range of both financial and advisory services to potential entrepreneurs. Financial services range from promotional loans to equity finance, but these are complemented with an increasingly diverse set of support services.

Organisation:

Deutsche Ausgleichsbank

Contact details:

Geerd WURTHMANN

Deutsche Ausgleichsbank - Kreditsekretariat
Ludwig-Erhard-Platz 3,
D-53179 Bonn
GERMANY
Tel: +49 2 228312947
Fax: +49 2 228312356
E-mail: dtabonn@t-online.de

Further information:

Report: The Development of Financial Aid to the Benefit of New Business Start-ups
Internet: <http://www.dta.de>

2. Presenting the Entrepreneur's Case**Issue:**

There is a need on the part of some entrepreneurs to present themselves more effectively to banks, with better and more coherent information about their actual or prospective activities.

Good practice:

In Belgium, Générale de Banque assists prospective entrepreneurs with a 'Starter' service which includes drawing up a business plan and analysing the business project. This basically involves the bank helping customers to present themselves.

The target group is people with sufficient own funds who are considering starting up or taking over a company.

Those selected for this scheme have to accept professional advice and assistance for the first three years. This advice is furnished by an approved consultant chosen by the customer from a list provided by the bank.

In order to improve the organisation and management of this assistance, the bank has set up a group of advisors from universities and the business world - they are responsible for recruiting consultants, training them and co-ordinating assistance programmes for those starting up in business.

Organisation:**Générale de Banque****Contact details:**

Philippe GOOSSENS

Générale de Banque Corporate Finance
Warandeberg 3
B-1000 Brussels
BELGIUM
Tel: +32 2 5184576
Fax: +32 2 5184779

Further information:

Report: Bank Finance.
Internet: <http://startersfr.gbank.be>

3. Relationship Management by the Banks

Issue:

A welcome development in the banking sector is the greater focus on the particular circumstances of SME clients. Customer-friendly practices, particularly 'relationship management', are in the interests of both banks and SME clients. For SMEs the advantage is in being assessed on the real strengths of the business rather than according to some abstract formula.

Good practice:

The Enterprise Support Unit of the Bank of Ireland has led the introduction of relationship management to the benefit of both the bank and clients. This approach is complemented by a range of financial and advice services geared to the particular circumstances of start up and developing enterprises. They also include "First Step" loans, which are interest-free for a 3 year period.

Organisation:

Bank of Ireland

Contact details:

Barry MC NAMARA

Bank of Ireland
Lower Baggot Street
Dublin 2
IRELAND
Tel: +353 1 6615933.
Fax: +353 1 6763493

Further information:

Report: Recent Developments in SME Financing.

Internet: <http://www.bankofireland.ie> (under business banking).

4. Micro-loans

Issue:

The provision of micro-loans, for relatively small amounts which often do not require collateral, needs to be increased.

Good practice:

In Finland, Finnvera plc (the risk financing expert) provides micro-loans especially for micro-enterprises and small businesses set ups, which offer employment to not more than five people. This loan can be granted to all enterprises regardless of their legal form. A micro-loan cannot exceed FIM 100,000 (€ 16,800). The interest rate of a micro-loan is lower than on normal risk loans and that of a loan for women entrepreneurs is even a little lower.

Organisation:

Finnvera

Contact details:

Martin INGMAN

FINNVERA Liaison Office
58, Av. Des Arts
B-1000 Bruxelles
BELGIUM
Tel: +322 5489614
Fax: +322 400709075
E-mail: martin.ingman@euronet.be

Further information:

Report: Bank Finance for Start-ups: An Outsider's View.
Internet: <http://www.finnvera.fi>

5. Networking with business angels**Issue:**

Increasing the involvement of Business Angels in SME financing, particularly by more effective networking with SMEs with investment potential, should be encouraged.

Good practice:

National Business Angels Network supports businesses with growth potential, who may benefit from equity funding and the management input of private investors. Similarly, the network provides a service to business angels (private investors) who are looking to invest their money and time in growth businesses. It has over 400 registered investors, offering funds and expertise and a nation-wide network of associates.

Organisation:**National Business Angels Network****Contact details:**

Ms. Susan KRANTZ

National Business Angels Network
40-42 Cannon Street
London EC4N 6JJ
UNITED KINGDOM
Tel: +44 171 3292929
Fax: +44 171 3292626
E-mail: info@nationalbusangels.co.uk

Further information:

Report: LINC (Local Investment Networking Company).

Internet: <http://www.nationalbusangels.co.uk>

6. Equity Markets**Issue:**

It is important to further develop equity markets suitable for SMEs, not least as a means of creating an exit for risk capital investments.

Good practice:

The 'Neuer Markt' in Germany is an interesting example, similar to the 'Nouveaux marchés' elsewhere, but illustrating the possibility that such a development can take place even in the German financial market which has traditionally been resistant to this type of share trading.

Organisation:

DIHT

Contact details:

Dr Torsten SLINK

DIHT

49 A, Boulevard Clovis

B-1000 Brussels

BELGIUM

Tel: +32 2 2861611

Fax: +32 2 2861605

E-mail: tslink@bruessel.diht.ihk.de

Further information:

Report: Summary for the seminar "Finance of Enterprises in the start-up phase.

Internet: <http://www.neuermarkt.de/INTERNET/NM/NM3.nsf>

<p style="text-align: center;">DISSEMINATION OF GOOD PRACTICE RESULTS INCUBATORS AND SUPPORT STRUCTURES FOR START-UPS (HELSINKI)</p>

The business incubator industry is a powerful tool for the creation of SMEs, for supporting them in their start-up phase, and for accelerating their growth rate. The Helsinki seminar therefore aimed to provide an extensive picture of the present state of the European incubator industry, through the exchange of good practices and new ideas between the Member States.

Further information on the following examples can be found in Best Practices in Incubator Infrastructure and Innovation Support, Final report of the Helsinki seminar, 19-20 November 1998.

1. The Right Combination of Services

Issue:

It is now clear that if incubators are to be successful in promoting highly innovative enterprises, there must be the right package of services on offer. These must include good basic facilities, working closely with research centres and technology institutes, well-structured access to risk capital and scope for networking at all levels from the local to the international.

Good practice:

IZET Innovation Centre in Germany is the activity of Gesellschaft für Technologieförderung Itzehoe mbH, a non-profit company co-founded by the City of Itzehoe and the county of Steinburg. It offers enterprises a professional infrastructure, a flexible support service and expert advice. Technology transfer is undertaken with the neighbouring Fraunhofer-Institute for Silicon Technology ISIT, as well as with other universities and research institutes. In 1998 IZET became a partner of the centre of competence in Electronic Commerce for Northern Germany. Training is provided in business planning, entrepreneurship, and appropriate financing strategies. This includes assistance for securing venture capital. IZET is active in a regional network of ten incubators in Schleswig-Holstein. The centre also initiates and takes part in European research and development transfer projects and standardisation projects, in collaboration with other technology centres across the EU.

Organisation:**IZET Innovationszentrum Itzehoe****Contact details:**

Dr Ingo HUSSLA

Gesellschaft für Technologieförderung Itzehoe mbH
Fraunhoferstr. 3
D-25524 Itzehoe
GERMANY
Tel: +49 4821 778 600
Fax: +49 4821 778 500
E-mail: info@izet.de

Further information:

Report: Innovation Support in Incubator Centres of Northern Germany
Internet: <http://www.izet.de>

2. Quality in Service Delivery**Issue:**

There is now sufficient experience with incubators to know how they should fit into the process of local economic development, what should be their core services and what standards they should achieve in delivery of these services. Pooling of this experience should lead to high standards everywhere.

Good practice:

As part of an on-going consideration of quality issues, the French Association of Directors of Business Incubators (ELAN), in collaboration with the Ministry of the Economy, Finance and Industry, initiated a process leading to the French standards agency AFNOR publishing a standard on the functions and services of incubators (NF X50.770), together with an associated certification regulation (NF 248). The standard, which is intended as a training tool, aims to ensure the most effective support possible for enterprises. Among the responses to this initiative, the network of incubators in the Aquitaine region have conducted a 'pre-audit' to identify the adjustments necessary for a certification of their members. These incubators are currently in the process of certification. Bordeaux Productic has been certified as conforming to the norm NF X50.770 since January 1999.

Organisation:

ELAN (national)
Bordeaux-Productic (regional)

Contact details:

Mme Françoise BOIVERT
Olivier PRUDHOMME

Bordeaux-Productic
Site Technologique de Marticot
33610 Cestas
FRANCE
Tel: +33 5 56 21 59 59
Fax: +33 5 56 78 89 13
E-mail: fboivert@bordeaux-productic.alienor.fr

Further information:

Report: The Networking Strength in Professional Organisation in Incubators: the French NORM.

3. Effective Technology Transfer**Issue:**

The effective transfer of technology from universities and research institutes to commercial applications is a commonly stated, but elusive objective. Suitable means for consistently achieving this objective are a major concern for incubators.

Good practice:

Cambridge boasts a concentration of science- and technology-based companies that is unique in Europe. Since St John's Innovation Centre was set up there as a technology incubator in 1987, over 100 companies have graduated from the site. It now houses 54 companies, with around 750 employees. The centre provides a support environment for people whose background is in science and technological research, with the emphasis on helping them to acquire the business skills necessary to supplement their technical abilities. Research indicates that only 15 of the 154 businesses assisted by the centre have ceased trading, compared to the 70 or so that might have statistically been expected.

Organisation:

St John's Innovation Centre

Contact details:

Walter HERRIOT

St John's Innovation Centre
Cowley Road
Cambridge CB4 4WS
UNITED KINGDOM
Tel: +44 (0)1223 420252
Fax: +44 (0)1223 420844
E-mail: wjherriot@stjohns.co.uk

Further information:

Internet: <http://www.admin.cam.ac.uk/univ/innovation/2.html>

4. Scope for Incubators in New Sectors**Issue:**

Although incubators are often thought only to involve science-based companies, in fact, the model has a number of applications in other areas.

Good practice:

The Travel Park Incubator Network (currently Helsinki, Espoo, Oulu, Savonlinna and Vaasa) operating in Finland is a business incubator network dedicated to the Tourism sector. The aim of the Travel Park is to help some 60-80 enterprises each year to develop over a two-year period into functioning and profitable small companies capable of offering high quality and innovative services for tourists and other travellers. There is close and mutually beneficial co-operation between the Travel Park and major Finnish travel/tourism related companies.

Organisation:**Travel Park Incubator Network****Contact details:**

Jari AURANEN

Travel Development Centre Finland Ltd
Travel Park Incubator Network
P.O.Box 8, Pajuniityntie 11
FIN-00321 HELSINKI
FINLAND
Tel: +358-9-5807 8368
Fax: +358-9-5807 8375
E-mail: smak.helsinki@haaga.fi

Further information:

Report: Theme Tourism and Services

Internet: <http://www.haaga.fi/smak/travelpark>

5. The Value of Networking for Incubators and their Clients**Issue:**

For incubators to be cost-effective it is crucial that they are linked into local innovation networks, which encourage interaction between new and existing enterprises and enable incubators to exploit to the fullest possible extent co-operation in support services and areas such as high quality training.

Good practice:

The 17 incubators in the Helsinki region, which since 1995 have created 760 new knowledge-based companies and 1300 jobs, work together as a network with groups of incubators developing training programmes, examining quality issues or finding better ways to identify potential entrepreneurs. This networking, involving the local community and medium and large-scale enterprises, is part of the reason for the cost-effectiveness of this policy initiative.

Organisation:**Uusimaa Employment and Economic Development Centre****Contact details:**

Taavetti MUTANEN

Employment and Economic Development Centre for Uusimaa

PO Box 15

FIN-00241 Helsinki

FINLAND

Tel: +358 9 2534 2481

Fax: +358 9 2534 2400

E-mail: taavetti.mutanen@te-keskus.fi

Further information:

Report: Incubators in Helsinki region

Internet: <http://www.yrityshautomot.net>

6. Mutual Support at a National Level**Issue:**

Incubators facing similar problems to those of their colleagues can address important issues such as the quality of services and the promotion of technology transfer by collaborating at a national level.

Good practice:

The Spanish association of Business and Innovation Centres (ANCES) assists its members to implement co-operation systems between the enterprises supported by these centres, an exchange of experience and Benchmarking in network co-operation, total quality management, and to better exploit the potential of technology developed in the universities. It also helps to promote spin-off activities from existing companies. This is largely achieved from the direct input of the members.

Organisation:

Asociación Nacional de Centros Europeos de Empresas e Innovación Españoles

Contact details:

D. Jesus CASANOVA

Asociación Nacional de Centros Europeos de
Empresas e Innovación Españoles
Avda. Benjamín Franklin, 12
46980 Valencia
SPAIN
Tel: + 34 96.199.42.00
Fax: +34 96.199.42.20
E-mail: ances@ances.com

Further information:

Report: BICs Networking for Co-operation - the Spanish Model (ANCES).
Internet: <http://www.ances.com>

7. The Need for a Balanced Funding of Incubators**Issue:**

In the early stages incubators suffer from many of the same problems as their clients. Like any start-up, an incubator at first has no customers, no cash flow and no critical mass. While private funding should be encouraged, it takes many years to achieve break-even and during this time there is a continuing need for public funding.

Good practice:

The Sophia Antipolis Science Park in France is Europe's largest with an area of 2,300 hectares, 1,200 companies and 20,000 employees. The International Centre for Advanced Communication (CICA), which now accounts for 52 of these companies and some 800 employees, was launched in 1987 with support from the local community. CICA is clearly a success in terms of its basic objectives of promoting IT-based companies. However, in spite of a steady increase in private-sector financing, CICA's reliance on its basic public funding is likely to continue for some years to come.

Organisation:**International Centre for Advanced Communication (CICA)****Contact details:**

Alain ANDRE

CICOM Organisation, CICA
2229, route des Crêtes
Sophia Antipolis
06560 Valbonne
FRANCE
Tel: +33 (0)4 92 94 20 00
Fax: +33 (0)4 92 94 20 20
E-mail: andre@cica.fr

Further information:

Report: Incubator finance - case example from France
Internet: www.cica.fr

8. The Potential of the Virtual Incubator**Issue:**

A virtual incubator, making use of modern information and communication technologies, offers many advantages, not least among which is the removal of the need to invest heavily in land or buildings.

Good practice:

The virtual technology park, implemented in the Austrian province of Carinthia through the Lavantal Innovation Centre, offers a limited number of services (conference room facilities, telephone operators etc) at the Innovation Centre, but many more services are now offered through computer and Internet links. These include accounting services, video conferencing, information and advice on legal matters, marketing, quality and standards. Active co-operation between the enterprises is also encouraged. The capital that would have been tied up in premises is now to be partially invested to replace rental income, but also partially used to provide start-up capital.

Organisation:

Lavanttal Innovation Centre

Contact details:

Dieter RABENSTEINER

Lavanttal Innovation Centre

AUSTRIA

Tel: +43 43 52 35 911

Fax: + 43 43 52 35 851

E-mail: rabensteiner@liz.at

Further information:

Report: Financing a regional virtual technology park

Internet: <http://www.liz.at>